

Multilateral Clearing System in East-West Trade Via ECU

There is probably little connection between the new multilateral clearing system in intra-European trade and Bloc trade with underdeveloped countries. The new system is an inter-regional clearing system which primarily should only affect trade between the two regions and that only to a minor extent. An expansion of Bloc trade with the underdeveloped countries as a corollary of an expansion in East Europe-West Europe trade would have to take the form of an export surplus from the Bloc to the underdeveloped countries, an export surplus from the underdeveloped countries to West Europe, and an export surplus from West Europe to East Europe. Under these conditions the various debts could be cancelled against each other. A true multilateral system would allow such a network of trade to develop, and such a network might make sense in terms of the Bloc desire to expand its exports of industrial goods (which often can be more readily sold to underdeveloped countries) and Western Europe's need for imports of primary goods.

The new system, however, does not appear to present this opportunity. The two major Western European countries, West Germany and the U.K., are not participating in the scheme because their currencies are already transferable. Clearings under the system might be expected to take the form of a Western European country (other than West Germany and the U.K.) cancelling the debt of an Eastern European country against its own debt to a second East European country. Clearings involving two Western European countries are less likely because they might entail the loss of hard currency by one country through the ECU. The ECU system should allow some expansion in intra-European trade, primarily because it allows the East European Bloc, an area in exchange difficulties, to mobilize its resources for purchases from Western Europe. The system could also allow an insignificant expansion of Bloc exports to the rest of the world in the form of Western European purchases of East European goods for re-export to other areas. The same result, however, is possible under the old system either by re-exports or through the sale by a West European country of a bilateral clearing credit with a Bloc country to an importer in an underdeveloped country. In general, however, Bloc purchases in underdeveloped areas have been on such a scale as to make such triangular transactions of limited importance.